

**TESTIMONY PRESENTED TO THE
FINANCE, REVENUE AND BONDING COMMITTEE
MARCH 22, 2016**

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Testimony Regarding Various Bills Before the Committee

Senator Fonfara, Representative Berger and distinguished members of the Finance, Revenue and Bonding Committee, thank you for the opportunity to offer testimony on the bills before the committee today.

I would like to present testimony in regards to three bills before you today.

Senate Bill No. 1, An Act Concerning Innovation, Entrepreneurship and Connecticut's Economic Future. While we recognize the positive intentions of the bill, we are deeply concerned about the significant fiscal impact of this bill given the state's new economic reality. It contains many new tax credits and additional bond expenditures which we cannot entertain in this current economic environment. At present the state has limited revenues and a need to cancel existing bond authorizations because of those revenue limitations.

Senate Bill No. 466, An Act Concerning Property Taxes and Payments in Lieu of Property Taxes. This bill addresses some of the technical problems in the legislation that passed last year and we appreciate that the drafters have taken those into account. We look forward to further discussions with the committee to continue refining the original legislation, which provides much-needed property tax relief.

House Bill No. 5636, An Act Concerning Municipal Taxing Districts, the Sales Tax, the Apprenticeship Tax Credit, Certain Fees and the Tax Credit Report.

OPM is in support of sections 6 and 7 of this bill and will submit separate testimony in favor of these sections.

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We have concerns regarding certain sections of this bill, which make substantive changes to state policy with financial implications.

- Section 2 of this bill would make changes to the sales and use tax in Connecticut. The section would tax boat motors and boats docked in the state for more than sixty days at a rate of three percent. It would also phase out the luxury tax incrementally beginning October 1, 2016 and eliminate the luxury tax completely in October 1, 2019. These measures would reduce revenue to the state and necessitate further expenditure reductions.
- Sections 3 and 4 of this bill would make changes to sales tax administration. DRS has significant concerns regarding both the costs associated with implementing these sections and the impact they will have on the state's economy. Please see Commissioner Sullivan's testimony for more detail.
- Section 5 of this bill would allow the apprenticeship tax credit to be claimed against the personal income tax. If a pass-through entity earns the credits, shareholders or partners of the entity would be allowed to claim the credit. Any increased utilization of these credits would necessitate further expenditure reductions. In addition, expansion of the credits to the personal income tax would erode the base of the most critical source of General Fund revenue.

Thank you for the opportunity to present this testimony.